

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Market Structure Branch**

RESOLUTION T-16924

R E S O L U T I O N

Resolution T-16924. To correct errors in RESOLUTION T-16913 in which the Commission authorized SBC California's (U-1001-C) to decrease its annual revenues by \$8.822 million effective February 1, 2005.

By Advice Letter No. 25578, Filed On October 1, 2004.

The Commission has been informed that a couple of clerical errors exist in Resolution T-16913, which the Commission approved on January 27, 2005.

On Page 9 of Resolution T-16913 under the section titled "Impact of Adopted Changes" in the second sentence, the phrase of "subject to modification for the three land sales" should be deleted. Under Findings #11 on page 11, the phrase of "subject to modification" should be deleted.

Under the 30-day draft resolution mailing, the draft proposed to adopt ORA's point of view and make the land sales subject to modification. Under the final resolution, the Commission adopted SBC's Advice Letter No. 25578 as filed with no subject to modification language. The two remaining subject to modification phrases were inadvertently left in the final resolution.

Corrected pages 9 and 11 are attached and are appended to Resolution T-16913.

Resolution T16924
TD/SKW

Under Resolution A-4661, **IT IS ORDERED** that Resolution T-16913 is corrected as set forth in the attachment to this Resolution.

This Resolution is effective today.

Dated February 24, 2005, at San Francisco, California.

/s/ STEVE LARSON

STEVE LARSON
Executive Director

Impact of Adopted Changes

For the year 2004, SBC was required to refund to customers \$3.928 million for adjustments that expired or ceased at the end of the year 2004. The \$8.822 million revenue reduction adopted here for 2005 is larger than in 2004 and accordingly, the surcredit on customer bills will be higher as shown in Appendix B of this resolution. The effect of the higher surcredit is that customers will pay slightly less for telephone service in 2005, effective February 1, 2005, than they paid in 2004.

311 Mailing Of Draft Resolution

In compliance with PU Code Section 311(g), a notice letter was e-mailed on December 14 to the parties that this draft resolution is available at the Commission's website <http://www.cpuc.ca.gov> and is available for public comments. In addition, TD informed these parties of the availability of the conformed resolution at the same website. For those parties without e-mail address, this draft resolution was mailed in accordance with PU Code Section 311(g).

Comments filed on a timely basis are discussed below.

Comments to Draft Resolution T-16913

SBC filed comments on December 29, 2004. SBC claims that the resolution erred by "relying on ORA's irrelevant claims to make the revenue decrease adopted in the draft resolution subject to modification and to add new issues to the audit ordered in D. 04-09-061." SBC did not agree that there was a "controversy" as stated in the draft resolution regarding the sale of the three properties. As evidence of the non-controversy, SBC states that "SBC treatment of these properties in this filing is the same as in prior price cap advice letters, all of which have been approved" and that "ORA did not contend that SBC California failed to follow Commission's requirements for allocating gain on sale land. Thus, there is no dispute..."

SBC reiterates its claim (as it did in its response to the protest of ORA) that Section 851 filings for these three properties is "irrelevant because SBC California's Advice Letter simply implements the gain on sale of land requirements adopted in D. 04-06-061 and the Advice Letter has nothing to do with Section 851."

ORA and The Utility Reform Network (TURN) filed joint reply comments on January 5, 2005. The joint commenters state that "SBC California is wrong" because the "Commission has full authority to investigate whether SBC California has followed applicable regulatory requirements, in this case, a PU Code Section 851 requirement."

- a) a surcredit of (1.526%) applied to IntraLATA Exchange and Private Line Service with the exceptions of Category III Services, access charges listed in Schedule No. 1, and surcharges currently listed in Pacific's tariffs.
 - b) a surcredit of (1.528%) applied to intraLATA toll (Schedule No. A2)
 - c) a surcredit of (1.532%) applied to access services (Schedule No. A2)
5. ORA filed a protest regarding the gain on sale and recommended that SBC's A.L. 25578 be subject to modification, due to the fact that the upcoming NRF audit may impact the value of SBC CA's gain on sale allocated to ratepayers.
6. We adopt SBC's request to refund the ratepayers through a one-time adjustment of (921,000) for the gain on sale of land.
7. We find reasonable and adopt SBC's request to recover intervenor compensation through a one-time adjustment in the amount of \$538,000.
8. We find reasonable and adopt SBC's request to remit to ratepayers through the one-time adjustment of (\$8,608,000) for the Tier II payments.
9. We find reasonable and adopt SBC's request to recover costs due to modification of exchange boundary through a one-time LE Factor in the amount of \$168,000.
10. SBC provided additional information in the table reflecting price floor adjustments and included the GDP-PI as part of its work papers.
11. The revenue adjustments associated with Modification of Exchange Boundary, Gain of Sale of Land, Intervenor Compensation, and Tier II Payments result in a net revenue decrease of \$8.822 million to be applied to local, toll, and access services are summarized in Appendix A to this resolution.
12. Except for those services that are included in SBC's A. 00-09-061 and those services for which the prices are frozen, TD recommends that SBC shall file an advice letter in compliance with D. 94-09-065 to raise the price of the services to exceed the floor or revise the floor to be below the price within 90-days of the effective date of this resolution.
13. For the Category II services where the price is at the ceiling and prices are essentially frozen pursuant to Conclusion of Law 33 of D. 89-10-031, SBC has raised the issue of price floors exceeding the prices for certain services in NRF Phase 3 and recommends that we defer to NRF Phase 3 the process(es) to be employed for services with floors that are above the price.